



Winter 2014

Applications for marijuana licenses roll in

The state's Business Licensing Service (BLS) received more than 5,000 applications from people wanting business licenses to grow, process and sell recreational marijuana. The vast majority were filed online.

The BLS, which is managed by Revenue, accepted the applications on behalf of the state Liquor Control Board, which is in charge of implementing I-502 and approving the marijuana business licenses.

State to businesses: Pay taxes on medical marijuana

Revenue recently mailed tax education letters to 310 businesses who appear to provide medical marijuana or related products but are not in our records as registered or paying taxes. The letter reminds these businesses that if they provide medical marijuana or marijuana-related products, they must register with the state and collect and remit the retail sales tax and the state's business and occupation taxes. They were alerted they may also owe back taxes.

Revenue set a Jan. 24, 2014 deadline for response. Revenue will follow up as needed with these businesses about their tax situations and help them get in compliance.

A glimpse of high tech and state incentives

In November, Revenue released the 2013 High Tech Study, which provides information on two Washington incentive programs: the sales and use tax deferral/exemption for research and development facilities and equipment, and the business and occupation tax credit for expenditures on research and development.

These incentives expire Jan. 1, 2015. Revenue has released four previous studies of these incentives since they took effect in January 1995. The study does not draw conclusions or make policy recommendations, but rather provides the Legislature and public a tool to evaluate the two incentives.

The study is on Revenue's website at http://dor.wa.gov/Docs/Reports/2013/High_Tech_2013.pdf.

Retail sales jump for the second quarter of 2013

Taxable retail sales in the second quarter of 2013 jumped 8.3 percent over the same period in 2012, reaching \$29 billion. Sales have nearly recovered to second quarter 2008 levels, when they last topped \$29 billion.



(retail sales continued)

Retail trade during this year's second quarter hit \$13.1 billion, a 7.3 percent increase from the second quarter of 2012. Retail trade is a subset of total taxable retail sales but excludes industries such as manufacturing, agriculture and construction.

Taxable sales rose in most categories in the second quarter:

- Construction increased to \$4.7 billion (18.6 percent)
- New and used car sales hit \$2.5 billion (13.6 percent)
- E-commerce and mail order purchases rose to \$374.0 million (22.1 percent)
- Building materials, garden equipment and supplies grew to \$1.5 billion (12.2 percent)
- General merchandise stores tallied \$2.4 billion (2.9 percent)
- Accommodations and food services reached \$3.4 billion (6.1 percent)

City- and county-level details are posted on Revenue's Quarterly Business Review page: <http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/2013/qbr213/default.aspx>.

Third quarter figures will be available around late January 2014.

Liquor prices, consumption up in Washington

Washingtonians continued to pay more on average and bought slightly more liquor between June 2012 and June 2013 than they did before Initiative 1183, which privatized liquor sales in June 2012.

A total of 39.9 million liters of liquor were sold from June 2012 to June 2013, compared to 39.3 million liters the previous year. The per-liter price of liquor had also increased slightly since June 2012, both before and after taxes:

Per-liter price - BEFORE taxes	June 2011 to June 2012	June 2012 to June 2013
Retail stores	\$15.14	\$17.08
Bars and restaurants	\$13.28	\$14.56

Per-liter price - AFTER taxes	June 2011 to June 2012	June 2012 to June 2013
Retail stores	\$21.85	\$24.36
Bars and restaurants	\$17.54	\$19.00



(liquor prices continued)

Spirits taxes paid and the amount of liquor purchased at retail stores have increased since June 2012, while taxes collected on liquor sold to restaurants and taverns and the amount of liquor purchased by them decreased. Between June 2011 and June 2012, approximately \$240 million in taxes were paid for liquor, compared to \$266 million in the same time period after privatization.

Counties on board with annual property tax revaluation

All of the state's 39 counties are on board and meeting a legislatively-mandated deadline to begin annual assessment of property values.

Revenue provided support for those counties to meet the Jan. 1, 2014 annual revaluation deadline. Annual revaluation provides more uniform and consistent property tax assessments and distribution of property taxes than assessments done every two, three or four years. The counties will continue to receive financial assistance from a fee on real estate transactions for ongoing maintenance and operations of their revaluation systems.

Revenue moving toward "one stop shop" for licensing

Revenue is on track to become a "one stop shop" for business licensing after kicking off the first phase of a multi-million dollar project to replace its antiquated tax and licensing systems.

In the spring of 2013, the Legislature approved the replacement project and provided \$11.6 million to fund the first two years. As part of the first phase, Revenue has chosen to pursue commercial, off-the-shelf software products as the preferred solution and will choose a vendor in mid-2014.

An important part of upgrading the state's licensing system is an interactive online business guide being developed by the state's Business Licensing Service (BLS). Per requirements of House Bill 1403, passed in the spring of 2013, Revenue is collecting up-to-date business licensing information from 24 state agencies and developing a hub where businesses can eventually get information about most of the licenses they'll need to operate from a variety of agencies.

BLS already provides more than 200 licenses from 10 state agencies and 58 cities using a single, combined application process. More than 25 percent of the state's 212 cities that license businesses are now part of BLS.

87,000 reseller permits issued through automatic renewal

More than 87,000 permits for qualifying businesses making purchases for resale have been renewed through the state's automatic renewal process.



(reseller permits continued)

Per legislative mandate, since Jan. 1, 2010, businesses making purchases for resale have been required to use a resale permit to purchase items without paying sales tax. About 128,000 reseller permits were set to expire at the end of 2013. By mid-December, Revenue received 21,275 applications from businesses that didn't qualify for automatic renewal and wanted to re-apply for a permit.

Revenue also received appeals from businesses that were denied a renewal. Of those, it granted 337 permits and denied 102. The agency has yet to rule on 64 appeals.